

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 FEA-01 AGRE-00  
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02  
AID-05 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01  
SP-02 OMB-01 DOTE-00 /108 W

-----065697 151030Z /15

R 150744Z JUL 77

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 903

INFO AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

USMISSION GENEVA

AMCONSUL BRISBANE BY POUCH

AMCONSUL PERTH BY POUCH

LIMITED OFFICIAL USE SECTION 1 OF 2 CANBERRA 4981

USMTN

USOECD

EO 11652: NA

TAGS: EIND, ETRD, AS

SUBJ: GOA REINSTATES AUTOMOTIVE IMPORT QUOTAS

REF: A. CANBERRA A-80, B. 76 CANBERRA 4193, C. 76 CANBERRA  
2499, D. 76 CANBERRA 0450

SUMMARY: ON JULY 12 MINISTER FOR COMMERCE AND INDUSTRY  
ANNOUNCED IMMEDIATE IMPOSITION OF QUOTAS ON C.B.U. AUTO-  
MOBILE IMPORTS AT ANNUAL LEVEL OF 90,000 UNITS DESIGNED  
ASSURE LOCAL MANUFACTURERS 80 PCT OF MARKET. MINISTER ALSO  
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ANNOUNCED THAT IAC INSTRUCTED REPORT WITHIN 60 DAYS AS TO  
WHAT ALTERNATIVE OR ADDITIONAL MEASURES SHOULD BE TAKEN.  
ALTHOUGH "MARKET SHARE" CONCEPT INTRODUCED FOR AUTOMOTIVE  
INDUSTRY MAY INDEED BE SUI GENERIS, THERE WILL BE GROWING  
PRESSURE FOR ITS INSTALLATION IN OTHER TROUBLED INDUSTRY  
SECTORS. END SUMMARY.

1. ON JULY 12 GOVERNMENT ANNOUNCED, EFFECTIVE IMMEDIATELY, REINSTATEMENT OF IMPORT QUOTAS ON C.B.U. AUTOMOBILES. ANNOUNCEMENT MADE BY MINISTER FOR INDUSTRY AND COMMERCE, SENATOR COTTON.

2. MINISTER STATED THAT IMPORT QUOTAS FOR NEXT SIX MONTHS WOULD BE BASED ON TOTAL ANNUAL QUOTA LEVEL OF 90,000 VEHICLES.

3. MINISTER FURTHER STATED THAT ADMINISTRATIVE ARRANGEMENTS FOR ALLOCATION OF QUOTAS WOULD BE ANNOUNCED SUBSEQUENTLY BY DEPARTMENT OF BUSINESS AND CONSUMER AFFAIRS THROUGH BUREAU CUSTOMS NOTICE. ON JULY 13, BUREAU OF CUSTOMS ANNOUNCED THAT CAR IMPORTERS WOULD BE ALLOWED BRING IN UNDER REIMPOSED QUOTAS ONLY SAME NUMBER OF VEHICLES OF EACH TYPE AS THEY HAD UNDER PREVIOUS QUOTA SCHEME WHICH ENDED ON DECEMBER 31, 1976. UNDER FORMER SCHEME, QUOTAS DETERMINED ON BASIS OF SALES PERFORMANCE DURING 1973 AND 1974. TOAL QUOTA TO BE 45,000 FOR FINAL SIX MONTHS OF 1977.

4. MINISTER ALSO STATED THAT REFERENCE WOULD BE FORWARDED IMMEDIATELY TO INDUSTRIES ASSISTANCE COMMISSION (IAC) SEEKING ADVICE WITHIN 60 DAYS AS TO WHAT ADDITIONAL ACTION SHOULD BE TAKEN IN RESPECT TO IMPORTS OF ASSEMBLED MOTOR VEHICLES, FOR WHAT PERIOD OF TIME SUCH ACTION SHOULD BE TAKEN, AND IF ACTION SHOULD BE TAKEN BY WAY OF QUANTITATIVE RESTRICTIONS LIMITED OFFICIAL USE

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ON IMPORTS OR BY TARIFF QUOTAS AND WHAT PRINCIPLES SHOULD GOVERNMENT ADOPT IN DETERMING BASIS FOR ALLOCATION OF QUOTAS TO INDIVIDUAL IMPORTERS. COMMISSION WILL ALSO BE ASKED WHETHER ADDITIONAL ACTION SHOULD BE TAKEN IN RESPECT TO IMPORTS OF C.K.D. VEHICLES OUTSIDE OF AUSTRALIA'S MOTOR VEHICLE PLAN. AS POSSIBLE PREVIEW TO COMMISSION'S FUTURE THINKING, IAC REPORT CONCLUDED LAST NOVEMBER, BUT JUST NOW ISSUED, RECOMMEND 100 PERCENT TARIFF QUOTA FOR ALL C.B.U. IMPORTS OVER 90,000 UNITS.

5. BY WAY OF JUSTIFICATION FOR ITS ACTION, MINISTER SAID THAT GOVERNMENT HAD CAREFULLY EXAMINED RECENT AND PROSPECTIVE MARKET AND IMPORT SITUATION. IT HAD COME TO CONCLUSION THAT IMMEDIATE ACTION WAS NECESSARY TO PREVENT SEVERE DISRUPTION TO EMPLOYMENT TO LOCAL INDUSTRY. CAR IMPORTS AND FORWARD IMPORT ORDERS HAD REMAINED AT HIGH LEVELS IN AN INCREASINGLY DEPRESSED MARKET AND LOCAL INDUSTRY'S MARKET SHARE HAD FALLEN BELOW LEVEL OF 80 PCT WHICH GOVERNMENT REGARDED AS NECESSARY TO AVOID DISRUPTION.

6. IN JUNE 1976, WHEN SENATOR COTTON CONFIRMED THAT GOVERNMENT WOULD REMOVE QUOTAS ON DECEMBER 31, 1976, HE MADE CLEAR

THREAT THAT THEY WOULD BE REINSTATED SHOULD IMPORTS SHOW  
SIGNS OF PERMANENTLY GOING ABOVE 20 PCT OF MARKET (PARA 4,  
REF B).

7. AUTOMOTIVE INDUSTRY REACTION HAS BEEN ABOUT AS MIGHT HAVE  
BEEN EXPECTED, WITH MANUFACTURERS APPROVING MOVE AND WITH ONE  
STATING FRANKLY THAT QUOTAS COULD NEVER BE REMOVED. IMPORTERS  
AND CONSUMER GROUPS GENERALLY OPPOSED MOVE, ALTHOUGH ONE  
IMPORTER ADMITTED THAT SHORT TERM DAMAGE WOULD NOT BE TOO  
GREAT DUE TO CONSIDERABLE RECENT BUILDUP OF UNSOLD IMPORTS.

8. PRODUCTION OF FINISHED PASSENGER CARS AND STATION WAGONS  
DROPPED OFF CONSIDERABLY IN FIRST FOUR MONTHS OF 1977 IN  
COMPARISON TO SAME PERIOD IN 1976, AS INDICATED BY FOLLOWING  
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FIGURES (1976 FIGURES IN PARENTHESIS) - IN THOUSANDS OF  
UNITS; JANUARY 8.1 (10.3); FEBRUARY 29.5 (31.7); MARCH  
33.4 (35.9) AND APRIL 27 (29.5). IN ADDITION IT HAS BEEN  
WIDELY REPORTED IN PRESS THAT AT LEAST ONE MANUFACTURER HAS  
LARGE UNSOLD INVENTORIES OF CERTAIN MODELS.

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SP-02 OMB-01 DOTE-00 /108 W  
-----065782 151029Z /13

R 150744Z JUL 77  
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9. COMMENTS: LOCAL AUTOMOBILE INDUSTRY IS VERY LARGE EMPLOYER OF INDUSTRIAL LABOR AND THUS IN SITUATION OF HIGH UNEMPLOYMENT WHICH HAS EXISTED SINCE FIRST IMPOSITION OF QUOTAS IN EARLY 1975, HAS BEEN IN POSITION TO EXERCISE STRONGER PRESSURE ON GOVERNMENT THAN IS CASE WITH OTHER INDUSTRY SECTORS SEEKING IMPORT PROTECTION. GOA WILL OBVIOUSLY BE INCREASINGLY PRESSURED TO ADOPT POLICY FOR OTHER INDUSTRIAL SECTORS. RECENT WHITE PAPER ON MANUFACTURING INDUSTRY (REF A) CONTAINS EXTENSIVE REFERENCE TO "MARKET SHARING ARRANGEMENTS" AND IN ADDITION TO AUTOMOTIVE INDUSTRY, SINGLES OUT ELECTRONICS, DOMESTIC APPLIANCE, CLOTHING, LIMITED OFFICIAL USE

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TEXTILE AND FOOTWEAR INDUSTRIES AS ONES WHICH "MAY REQUIRE AN APPROACH OF THIS KIND IN FUTURE." ALTHOUGH WHITE PAPER TREATS SUCH MARKET-SHARING ARRANGEMENTS AS "A SPECIAL MEASURE OF SHORT-TERM POLICY," WHICH MUST BE IN LINE WITH AUSTRALIA'S OBLIGATIONS UNDER GATT OR OTHER INTERNATIONAL TREATY COMMITMENTS, THE AUTOMOTIVE INDUSTRY EXPERIENCE SEEMS TENDENCY FOR SUCH ARRANGEMENTS IF ADOPTED, TO BECOME SELF-PERPETUATING.  
ALSTON

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## Message Attributes

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